

Kentucky Agricultural Finance Corporation

Minutes of the November Meeting

The meeting of the Kentucky Agricultural Finance Corporation was held on Friday, November 3, 2006 at 10:00 AM EST in the Board Room of the Clarion Hotel in Louisville, Kentucky. Mark Farrow, presiding, called the meeting to order. Mr. Farrow then asked Nicole Ray, Secretary, to call the roll.

Members Present

Commissioner Richie Farmer (Mark Farrow, designee), Secretary John Farris (Kristen Webb, designee), Bob Gaslin, Wayne Hunt, Doug Lawson, Billy Joe Miles, Bob Proffitt, James Reams

Members Absent

Larry Jaggers, Charles Miller, Frank Penn, Annette Crawford Walters

Others Present

Staff - Catherine Ball, Tim Hughes, Bill McCloskey, Nicole Ray, Keith L. Rogers

Guests- Kaycie Len Carter, Community Farm Alliance

Notification of Press

Keith Rogers stated that the media had been notified.

Review and approval of Minutes of October 6, 2006

A motion to approve the October minutes was made by Mr. Hunt, seconded by Mr. Proffitt. The motion passed without dissent.

Executive Director's Report

Mr. Rogers invited the Board to the Kentucky Agricultural Development Board (KADB) annual planning session that will be held November 16th and 17th at Buckhorn State Park.

Mr. Rogers called the attention of the Board to the memo on changes to the loan review committee in the update folder. He requested that the Board approve Mr. Joel Neaveill replace Mr. David Bratcher on the committee. **Mr. Lawson moved to approve the placement of Mr. Neaveill on the Loan Review Committee, Mr. Hunt seconded the motion. The motion passed without dissent.**

Mr. Rogers presented the memo which recommends a new schedule for Board meetings in 2007 in the update folder. **Mr. Gaslin moved to accept the 2007 schedule as recommended, Mr. Hunt seconded the motion. The motion passed without dissent.** Mr. Rogers notified the Board that the next KAFC Board meeting is scheduled to take place at the same time as the Farm Bureau Convention and asked the Board if they would like to have the meeting in Louisville in conjunction with the Kentucky Farm Bureau Convention. With no opposition from the Board, Mr. Rogers stated that the December meeting will be held at the Galt House in Louisville.

Marketing and Business Development Coordinator's Report

Mr. Hughes notified the Board that he had been participating in the Women in Agriculture Conference this morning before joining the meeting.

Mr. Hughes updated the Board on his trip to the National Council of State Agriculture Finance Programs conference in New York last month and shared with them a description of some programs offered by other states.

Mr. Hughes brought the attention of the Board to the financial report in the update folder. Mr. Hughes updated the Board that there has been \$9,470,022.29 loaned out through the Linked-Deposit Loan Program.

New Business

Loan applications

Agricultural Infrastructure Loan Program - Discussion and Action

Mr. Hughes presented the following loan applications:

AF06-0054 Applicant requested \$17,500 over seven years for construction of a 42' by 144' tobacco barn in Clinton County. Peoples Bank and Trust Company of Clinton County in Albany is the participating lender. **Application AF06-0054 has met the requirements and was approved by staff on October 27, 2006.**

AF06-0069 Staff is awaiting additional information on this application.

AF06-0076 Applicants are requesting \$7,875 over ten years for construction of a 36' by 50' tobacco stripping facility in Hardin County. Magnolia Bank in Elizabethtown is the participating lender. **Mr. Lawson moved to approve AF06-0076, Mr. Proffitt seconded the motion. The motion passed without dissent.**

AF06-0077 Applicants are requesting \$20,000 over ten years for construction of a hay and equipment storage barn in Larue County. South Central Bank in Elizabethtown is the participating lender. **Mr. Miles moved to approve AF06-0077, Mr. Proffitt seconded the motion. The motion passed without dissent.**

AF06-0078 Applicants requested \$37,500 over ten years for expansion of equine facilities, paddocks and road construction. Citizens Commerce National Bank in Versailles is the participating lender. **Application AF06-0078 has met the requirements of an application without tobacco documentation and was approved by staff on November 1, 2006 at the 4% interest rate.**

AF06-0080 Applicant is requesting \$100,000 over ten years for construction of two broiler barns in Calloway County for contract poultry production with Pilgrim's Pride. Regions Bank in Murray is the participating lender. **Mr. Miles moved to approve AF06-0080, Mr. Gaslin seconded the motion. The motion passed without dissent.**

AF06-0081 Applicants are requesting \$87,500 over seven years for construction of a 62,000 bushel grain bin with drag conveyor, elevator leg and dump pit in Ballard County.

First Community Bank in Fancy Farm is the participating lender. **Mr. Hunt moved to approve AF06-0081, Mr. Reams seconded the motion. The motion passed without dissent.**

AF06-0082 Applicants are requesting \$100,000 over ten years for construction of two pullet houses in Wayne County for contract poultry production with Cobb, a subsidiary of Tyson Foods. Farm Credit Services of Mid-America in Somerset is the participating lender. **Mr. Gaslin moved to approve AF06-0082, Mr. Lawson seconded the motion. The motion passed without dissent.**

Mr. Hughes updated the Board on the Elkins loan which was approved at no worse than 90% loan-to-value. Based upon the appraised value of the real estate to be pledged as collateral, the loan-to-value would be 97%. The lender has requested that KAFC accept a second lien position on farm equipment valued at \$846,000 with existing debt of \$473,500 in addition to the real estate mortgage. This additional collateral would improve the loan-to-value ratio to better than the 90%. Mr. Hughes asked the Board for a recommendation of this issue. **Mr. Lawson moved to accept the second lien on the equipment, Mr. Reams seconded the motion. The motion passed without dissent.**

Agricultural Processing Loan Program – Discussion and Action

Mr. Hughes presented the following loan applications:

AF06-0053 Kentucky Specialty Grain (KSG) – Staff met with the applicants and CoBank since the October meeting. Staff expects that the KSG application will be reviewed by the KADB at the December KADB meeting and hopes to present a recommendation to this Board at the January KAFC meeting. Staff has provided KSG with a list of issues that must be addressed before a recommendation will be provided to the Board.

AF06-0055 Ball, Joe Todd, and Kenton – Mr. Hughes spoke with the applicants this week and will be meeting with them to discuss their business plan.

AF06-0074 Hutcherson, Lyon Jr. – Applicant and participating lender have been working to prepare documents that were requested by the Board at the last meeting.

Beginning Farmer Loan Program – Discussion and Action

Mr. Hughes presented the following loan applications:

AF06-0079 Applicants are requesting \$25,000 over ten years for the purchase of 56.5 +/- acres of farm land in Hardin County. South Central Bank in Elizabethtown is the participating lender. **Mr. Miles moved to approve AF06-0079, Mr. Gaslin seconded the motion. The motion passed without dissent.**

Old Business

The former West Kentucky Growers' Cooperative Facility – Mr. Rogers stated that the Board members received a letter from him dated October 2, 2006. One bid was received

in response to the Request for Proposals, which altered the review process. After making a determination that the bidder was a responsible bidder pursuant to statutory terms, the contract was awarded to Cabbage, Inc. of West Lake, Ohio with a lease price of \$12,000 and a purchase price of \$450,000.

Other Business

Mr. Rogers brought the attention of the Board to a memo regarding the Kentucky Aquaculture Association (KAA) and a letter of requests to KAFC from the KAA in the update folder.

Mr. Hughes provided an update on the Burton loan and another approved loan in which the applicants are divorcing.

Closing Remarks

The motion to adjourn was made by Mr. Lawson, seconded by Mr. Reams. The motion passed without dissent.

The meeting adjourned at 11:44 am EST.